

Officer Take Home Pay

Take Home Pay vs City's "Zero" Proposal with Measure B

	TopStepOfcr	Raise	NewWage	RetCont	RetHealth	TAKE HOME	Notes
Jul-09	\$4,153.60		\$4,153.60	8.18%	4.78%	\$3,615.29	
Jul-10	\$4,153.60		\$4,153.60	15.06%	5.76%	\$3,288.82	9.81%+5.25%OneTimeAdd'l Cont
Jul-11	\$3,738.80	-10%1-Time	\$3,738.80	10.46%	7.01%	\$3,085.63	
Jul-12	\$3,738.80	-10%Cont-1-yr	\$3,738.80	11.13%	8.26%	\$3,013.85	
Jul-13	\$3,738.80	0.00%	\$3,738.80	11.64%	17.51%	\$2,648.94	8.26%+1.25%GASB+8%MeasB
Jan-14	\$3,738.80	0.00%	\$3,738.80	15.64%	17.51%	\$2,499.39	
Jul-14	\$3,738.80	0.00%	\$3,738.80	19.64%	17.51%	\$2,349.84	
Jul-15	\$3,738.80	0.00%	\$3,738.80	23.64%	17.51%	\$2,200.28	
Jul-16	\$3,738.80	0.00%	\$3,738.80	27.64%	17.51%	\$2,050.73	

Source: San Jose Police & Fire Department Retirement Plan CAFR's
<http://www.sjretirement.com/PF/Plan/CAFR.asp>

Officer Take Home Pay

Take Home Pay vs City's "Zero" Proposal with Measure B

Take Home w/Measure B City's Proposal



**Police & Fire Department Retirement Plan
Police Contribution Rates for Fiscal Year 2012-2013**

Police

Benefit	City	Employee	Total
Pension			
Normal Cost	33.34%	11.01%	44.35%
Unfunded Liability/Prior Service Cost	23.69%	0.12%	23.81%
Transfer from SRBR Due to Poor Market/Investment Returns	-0.46%	0.00%	-0.46%
Subtotal	56.57%	11.13%	67.70%
Medical and Dental	8.96%	8.26%	17.22%
Total	65.53%	19.39%	84.92%

Note:

The rates above are the Retirement Board adopted rates based on the June 30, 2011, valuations and do not reflect any adjustments for prefunding or adjustments to reflect the actual payroll to meet the required dollar amount.

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Notes to Financial Statements (Continued)

Note 5 – Defined Benefit Pension Plan: Contributions and Funding Policy

Pursuant to San José Municipal Code 3.36.1520, the Police and Fire Department Retirement Plan Board of Administration is authorized to determine the amount of monthly or bi-weekly contributions. On June 24, 2008, City Council adopted ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Police and Fire Department Retirement Plan.

On July 2, 2009, the City paid the actuarially determined prepayment amount of \$62,938,000, for bi-weekly contributions to be made for the 26 pay dates from July 3, 2009 through June 18, 2010. The City also paid \$102,000 for the reconciliation of fiscal year 2009-2010 contributions per San José Municipal Code 3.36.1590(F), that requires the Board to determine whether the lump sum advance payment(s) and the payments that otherwise have been required in the absence of the lump sum advance payment are actuarially equivalent.

Contributions to the Defined Benefit Pension Plan for both the City and the participating members are based upon an actuarially determined percentage of each member's covered payroll sufficient to provide adequate assets to pay benefits when due. The Plan transitioned to annual valuations beginning June 30, 2010, from biennial actuarial valuations. The contribution rates for fiscal years ended June 30, 2010 and 2009 were based on the actuarial valuation performed on June 30, 2007, except for the period June 27 through June 30, 2010, which were based on the June 30, 2009 valuation. The actuarial valuation assumptions are presented below in the Schedule of Funded Status for the Defined Benefit Pension Plan.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2010 and 2009 were as follows:

Period	City – Board Adopted*		Employee	
	Police	Fire	Police	Fire
06/27/10 – 06/30/10	38.32%	40.24%	9.81%	10.09%
07/01/08 – 06/26/10	21.61%	24.12%	8.18%	8.62%

* The actual contribution rates paid by the City differed as a result of the City exercising their option to make annual lump sum payments.

The funded status of the Defined Benefit Pension Plan as of June 30, 2009, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Li-ability (AAL)	Unfunded (AAL/UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)	
6/30/2009	\$2,569,569	\$2,963,482	\$393,913	86.70%	\$243,196	162%

The UAAL of \$393,913,000 does not reflect the impact of approximately \$600 million of deferred pension and health investment losses resulting from unfavorable investment returns in fiscal years 2005 through 2009. The Plan's actuarial valuation uses a five year smoothing method for investment returns. This means that the current year's gains or losses, as calculated at year-end, are smoothed with the results from the prior four years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and investment return. Experience studies are performed by the Board's actuary to determine continual revision to the actuarial assumptions as actual results are compared with past expectations and new estimates are made about the future.

As of June 30, 2009, the Plan's most recent valuation, the Plan's AAL increased by \$591 million due to demographic experience losses and changes in actuarial assumptions as recommended by the Board's actuary in the June 30, 2009 experience study. The Plan's UAAL increased from \$6.6 million as of June 30, 2007 to \$393.9 million as of June 30, 2009. The change to the UAAL was primarily the result of (a) unfavorable investment returns during the last two years, (b) higher than expected salary increases, (c) earlier than expected retirements, (d) data corrections, and (e) changes in the actuarial assumptions. Changes in the actuarial assumptions include the one year increase in the Plan's 80-120% market value corridor to 70-130%, as approved by the Board of Administration on February 4, 2010, resulting in the immediate recognition of approximately \$45 million of investment losses for the pension and health plans. The market value of assets corridor limits the smoothing of assets to be no greater than 130% and no less than 70% of the market value of assets as of June 30, 2009. Under this practice, any investment gains or losses that would cause the smoothed assets to fall outside of this 70-130% market value corridor would be recognized immediately rather than be smoothed over the next five years. The total unrecognized investment losses, for pension and health assets, were \$658.2 million before the application of the 130% market value of

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Notes to Financial Statements (Continued)

Note 5 – Defined Benefit Pension Plan: Contributions and Funding Policy (continued)

The schedules presented as required supplementary information following the notes to the basic financial statements, present multiyear trend information. The Schedule of Funding Progress for the Defined Benefit Pension Plan presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions for the Defined Benefit Pension Plan presents trend information about the amounts contributed to the plan by the City in comparison to the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Note 6 – Postemployment Healthcare Plan Contributions, Funded Status and Funding Progress

Contributions to the Postemployment Healthcare Plan are made by both the City and the participating members. Contributions to the Plan for fiscal years ended June 30, 2010 and 2009 for the Fire members of the Plan were based on the Board's 10-year cash flow funding policy. Contributions to the Plan for Police members were also based upon the Board's 10 year funding policy for fiscal year ended June 30, 2009. The contributions are not sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement No. 43. Effective June 28, 2009, the Police members of the Plan entered into a Memorandum of Agreement (MOA) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding of the GASB Statement No. 43 annual required contribution over the next five years; fiscal year 2009-2010 was the first year of the phase-in.

In the MOA the City and Police members of the Plan agreed that the Plan and member cash contribution rate shall not have an incremental increase of more than 1.25% and 1.35% of pensionable pay in each year for the members and City, respectively. Additionally, if the retiree healthcare contributions exceed 10% of member and 11% of City contributions (excluding the implicit rate subsidy) the parties shall meet and confer on how to address the contributions above 10% and 11%.

The City and the participating member's contribution rates in effect during the fiscal years ended June 30, 2010 and 2009 for the Postemployment Healthcare Plan were as follows:

Period	City – Board Adopted*		Employee	
	Police	Fire	Police	Fire
06/27/10 – 06/30/10	6.26%	3.92%	5.76%	3.61%
06/28/09 – 06/26/10	5.28%	4.19%	4.78%	3.78%
07/01/08 – 06/27/09	4.19%	4.19%	3.78%	3.78%

* The actual contribution rates paid by the City differed as a result of the City exercising their option to make annual lump sum payments.

The funded status of the Postemployment Healthcare Plan as of June 30, 2009, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL/ UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2009	\$55,618	\$761,604	\$705,986	7%	\$234,196	301%

As of June 30, 2009, the Plan's most recent valuation, the Plan's AAL increased by \$95 million due to changes in actuarial assumptions as recommended by the Board's actuary in the June 30, 2009 experience study. The Plan's UAAL increased from \$620.8 million as of June 30, 2007 to \$705.9 million as of June 30, 2009. Changes to the UAAL were primarily the result of unfavorable investment returns during the last two years and changes in the actuarial assumptions including the one year increase in the Plan's 80-120% market value corridor to 70-130%. A listing of significant actuarial methods and valuation assumptions for the June 30, 2007 and 2009 valuations are presented below in the Schedule of Funded Status for the Postemployment Healthcare Plan.

Notes to Financial Statements (Continued)

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NOTE 5 – DEFINED BENEFIT PENSION PLAN: CONTRIBUTIONS FUNDED STATUS AND FUNDING PROGRESS

Pursuant to San José Municipal Code 3.36.1520, the Police and Fire Department Retirement Plan Board of Administration is authorized to determine the amount of monthly or bi-weekly contributions. On June 24, 2008, City Council adopted ordinance No. 28332 amending Chapter 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the Police and Fire Department Retirement Plan.

In fiscal year 2010-2011, the City paid the actuarially determined amount of \$86,023,492 and \$3,120,495 on July 2, 2010 and September 16, 2010, respectively, for bi-weekly pension and health contributions to be made for the 26 pay dates from July 2, 2010 through June 17, 2011. The City also received a credit of approximately \$2,146,000 for the reconciliation of fiscal year 2010-2011 pension and health contributions per San José Municipal Code 3.36.1590(F), that requires the Board to determine whether the lump sum advance payment(s) and the payments that otherwise have been required in the absence of the lump sum advance payment are actuarially equivalent.

In addition, effective June 26, 2010 through June 25, 2011, the bargaining unit representing the Police Officers Association (POA) entered into a Memorandum of Agreement (MOA) with the City to make a one-time additional retirement contribution that would be applied to reduce the contributions that the City would otherwise be required to make during that time period for the

pension unfunded liability. The one-time contribution amounts all summed to 5.25%. The MOA also included language recognizing that the additional required contributions could not be implemented by June 27, 2010, and allowed for the Finance Department of the City to compute a rate that would generate the total amount of additional retirement contributions over the remaining pay periods in the fiscal year as if the contribution rate had been implemented on June 27, 2010. The City's Finance Department calculated and implemented a contribution rate shift of 6.17% of pay for contributions effective on August 22, 2010. The contribution rates provided below do not reflect the additional retirement contributions.

Contributions to the Defined Benefit Pension Plan for both the City and the participating members are based upon an actuarially determined percentage of each member's covered payroll sufficient to provide adequate assets to pay benefits when due. The Plan transitioned to annual valuations beginning June 30, 2010, from biennial actuarial valuations. The contribution rates for fiscal years ended June 30, 2011 and 2010 were based on the actuarial valuations performed on June 30, 2009 and June 30, 2007, respectively, except for the period of June 26 through June 30, 2011, which were based on the June 30, 2010 valuation.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2011 and 2010 were as follows:

Period	City – Board Adopted *		Member	
	Police	Fire	Police	Fire
06/26/11 – 06/30/11	49.29%	51.05%	10.46%	10.76%
06/27/10 – 06/25/11	38.32%	40.24%	9.81%	10.09%
07/01/08 – 06/26/10	21.61%	24.12%	8.18%	8.62%

* The actual contribution rates paid by the City differed as a result of the City exercising their option to make annual lump sum payments. In addition in fiscal year 2011 the contribution rates paid by the City differed due to police members making on-time additional retirement contributions that were applied to reduce the City's contributions.

The funded status of the Defined Benefit Pension Plan as of June 30, 2010, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a) / (b)	(c)	((b-a)/c)
06/30/2010	\$ 2,576,705	\$ 3,230,456	\$ 653,751	79.8%	\$ 222,699	294%

Notes to Financial Statements (Continued)

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NOTE 5 – DEFINED BENEFIT PENSION PLAN: CONTRIBUTIONS FUNDED STATUS AND FUNDING PROGRESS (Continued)

The schedules presented as required supplementary information following the notes to the basic financial statements, present multiyear trend information. The Schedule of Funding Progress for the Defined Benefit Pension Plan presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions for the Defined Benefit Pension Plan presents trend information about the amounts contributed to the plan by the City in comparison to the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 6 – POSTEMPLOYMENT HEALTHCARE PLAN CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS

Contributions to the Postemployment Healthcare Plan are made by both the City and the participating members. Contributions to the Plan for fiscal years ended June 30,

2011 and 2010 for the Fire members of the Plan were based on the Board's 10-year cash flow funding policy. Contributions to the Plan for Police members were based upon a five year phase-in to full funding of the GASB Statement No. 43 annual required contribution from the Board's 10-year cash flow funding policy. Effective June 28, 2009, the Police members of the Plan entered into a Memorandum of Agreement (MOA) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding of the GASB Statement No. 43 annual required contribution over the next five years; fiscal year 2010-2011 was the second year of the phase-in.

In the MOA the City and Police members of the Plan agreed that the Plan and member cash contribution rate shall not have an incremental increase of more than 1.25% and 1.35% of pensionable pay in each year for the members and City, respectively. Additionally, if the retiree healthcare contributions exceed 10% of member and 11% of City contributions (excluding the implicit rate subsidy) the parties shall meet and confer on how to address the contributions above 10% and 11%.

The contributions for Fire and Police members are not sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement No. 43.

The City and the participating member's contribution rates in effect during the fiscal years ended June 30, 2011 and 2010 for the Postemployment Healthcare Plan were as follows:

Period	City – Board Adopted *		Member	
	Police	Fire	Police	Fire
06/26/11 – 06/30/11	7.61%	5.27%	7.01%	4.86%
06/27/10 – 06/25/11	6.26%	3.92%	5.76%	3.61%
06/28/09 – 06/26/10	5.28%	4.19%	4.78%	3.78%

* The actual contribution rates paid by the City differed as a result of the City exercising their option to make annual lump sum payments.

The funded status of the Postemployment Healthcare Plan as of June 30, 2010, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a) / (b)	(c)	((b)-(a)/c))
06/30/2010	\$ 58,586	\$ 946,308	\$ 887,722	6%	\$ 222,699	399%

Notes to Financial Statements (Continued)

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NOTE 5 – DEFINED BENEFIT PENSION PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (Continued)

In fiscal year 2010-2011, the City paid the actuarially determined amount of \$86,023,000 and \$3,120,000 on July 2, 2010 and September 16, 2010, respectively, for bi-weekly pension and health contributions to be made for the 26 pay dates from July 2, 2010 through June 17, 2011. The City also received a credit of approximately \$2,146,000 for the reconciliation of fiscal year 2010-2011 pension and health contributions per San José Municipal Code 3.36.1590(F), that requires the Board to determine whether the lump sum advance payment(s) and the payments that otherwise would have been required in the absence of the lump sum advance payment are actuarially equivalent.

In addition, effective June 26, 2010 through June 25, 2011, the bargaining unit representing the Police Officers Association (POA) agreed in a Memorandum of Agreement (MOA) with the City to have the Police members of the Plan make a one-time additional retirement contribution that would be applied to reduce the contributions that the City would otherwise be required to make during that time period for the pension unfunded liability. The one-time additional contribution amounts all summed to 5.25% of pensionable earnings. The MOA also included language recognizing that the additional required contributions could not be implemented by June 27, 2010,

and allowed for the Finance Department of the City to compute a rate that would generate the total amount of additional retirement contributions over the remaining pay periods in the fiscal year as if the contribution rate had been implemented on June 27, 2010. The City's Finance Department calculated and implemented a contribution rate shift of 6.17% of pay for contributions effective on August 22, 2010. The contribution rates provided below do not reflect the additional retirement contributions.

Contributions to the Defined Benefit Pension Plan for both the City and the participating members are based upon an actuarially determined percentage of each member's covered payroll sufficient to provide adequate assets to pay benefits when due. The Plan transitioned to annual valuations beginning June 30, 2010, from biennial actuarial valuations. The contribution rates for fiscal years ended June 30, 2012 and 2011 were based on the actuarial valuations performed on June 30, 2010 and June 30, 2009, respectively, except for the period of June 24 through June 30, 2012, which were based on the June 30, 2011 valuation

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2012 and 2011 were as follows:

Period	City – Board Adopted *		Member	
	Police	Fire	Police	Fire
06/24/12 – 06/30/12	56.57%	58.43%	11.13%	11.21%
06/26/11 – 06/23/12	49.29%	51.05%	10.46%	10.76%
07/01/10 – 06/25/11	38.32%	40.24%	9.81%	10.09%

*The actual contribution rates paid by the City for fiscal year ended June 30, 2012 differed due to the City funding the annual required contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year. In fiscal year 2011 the actual contributions rates paid by the City differed as a result of the City exercising its option to make annual lump sum payments and due to the additional contribution paid by the employees.

The funded status of the Defined Benefit Pension Plan as of June 30, 2011, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
(a)	(b)	(b-a)	(a) / (b)	(c)	((b-a)/c)	
06/30/2011	\$ 2,685,721	\$ 3,196,007	\$ 510,286	84.0%	\$ 190,726	268%

Notes to Financial Statements (Continued)

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NOTE 6 – POSTEMPLOYMENT HEALTHCARE PLAN CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (Continued)

In January 2011, the Board adopted a funding policy setting the funding policy contribution amount to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll, if actual payroll exceeds the actuarial payroll, reported in the valuation to the actual payroll for the fiscal year. The funding policy contribution amount determined in the June 30, 2010 valuation for fiscal year ending June 30, 2012 was the greater of \$16,299,000 (if paid at the beginning of the fiscal year) or 5.27% for fire members and 7.61% for police members of actual payroll for the fiscal year. The actual payroll for the fiscal year of \$184,746,000 was less than the actuarial payroll of \$251,058,000 resulting in an annual contribution of \$16,299,000 as of July 1, 2011, excluding year end contributions receivable, the implicit subsidy, and prior year contribution adjustments.

In fiscal year 2010-2011, the City paid the actuarially determined amount of \$86,023,000 and \$3,120,000 on

July 2, 2010 and September 16, 2010, respectively, for bi-weekly pension and health contributions to be made for the 26 pay dates from July 2, 2010 through June 17, 2011. The City also received a credit of approximately \$2,146,000 for the reconciliation of fiscal year 2010-2011 pension and health contributions per San José Municipal Code 3.36.1590(F), that requires the Board to determine whether the lump sum advance payment(s) and the payments that otherwise have been required in the absence of the lump sum advance payment are actuarially equivalent.

The contributions for Fire and Police members are not sufficient to meet the ARC in accordance with the requirements of GASB Statement No. 43.

The City and the participating member's contribution rates in effect during the fiscal years ended June 30, 2012 and 2011 for the Postemployment Healthcare Plan were as follows:

Period	City – Board Adopted *		Member	
	Police	Fire	Police	Fire
06/24/12 – 06/30/12	8.96%	6.62%	8.26%	6.11%
06/26/11 – 06/23/12	7.61%	5.27%	7.01%	4.86%
07/01/10 – 06/25/11	6.26%	3.92%	5.76%	3.61%

* The actual contribution rates paid by the City for fiscal year ended June 30, 2012 differed due to the City funding the annual required contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year. In fiscal year 2011 the actual contribution rates paid by the City differed as a result of the City exercising their option to make annual lump sum payments.

The funded status of the Postemployment Healthcare Plan as of June 30, 2011, the most recent actuarial valuation date, is as follows: (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a) / (b)	(c)	((b)-(a)/c)
06/30/2011	\$ 60,709	\$ 1,003,795	\$ 943,087	6%	\$ 190,726	494%